



BACKGROUND

Office of Public Affairs

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Nuclear Insurance and Disaster Relief

Nuclear Insurance: Price-Anderson Act

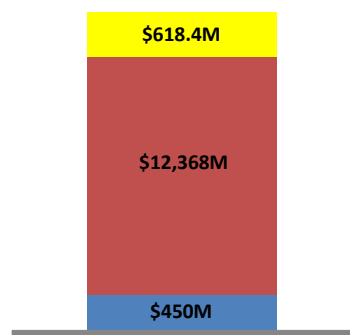
The Price-Anderson Act became law on Sept. 2, 1957, to cover liability claims of members of the public for personal injury and property damage caused by a commercial nuclear power plant accident. The legislation helped encourage private investment in commercial nuclear power by placing a cap, or ceiling, on the total amount of liability each nuclear power plant licensee faced in the event of an accident. Over time, the “limit of liability” for a nuclear accident has increased the insurance pool to more than \$13 billion.

Currently, owners of nuclear power plants pay an annual premium for \$450 million in private insurance for offsite liability coverage for each reactor site (not per reactor). This primary, or first tier, insurance is supplemented by a second tier. In the event a nuclear accident causes damages in excess of \$450 million, each licensee would be assessed a prorated share of the excess, up to \$121.255 million per reactor. With 102 reactors currently in the insurance pool,ⁱ this secondary tier of funds contains about \$12.4 billion. Payouts in excess of 15 percent of these funds require a prioritization plan approved by a federal district court. If the court determines that public liability may exceed the maximum amount of financial protection available from the primary and secondary tiers, each licensee would be assessed a pro rata share of this excess not to exceed 5 percent of the maximum deferred premium (\$121.255 million); approximately \$6.063 million per reactor. If the second tier is depleted, Congress is committed to determine whether additional disaster relief is required.

The only insurance pool writing nuclear insurance, American Nuclear Insurers, is comprised of property-casualty insurance companies. The average annual premium for a single-unit reactor site in 2018 is approximately \$1 million. The premium for a second or third reactor at the same site is discounted to reflect a sharing of limits. The average site premium for 2018 is approximately \$1.3 million.

Claims resulting from nuclear accidents are covered under Price-Anderson; for that reason, all U.S. property and liability insurance policies exclude nuclear accidents. Claims can include any incident (including those caused by theft or sabotage) in transporting nuclear fuel to a reactor

Nuclear Insurance Under The Price-Anderson Act



Total Pool: \$13,436 million

- Private Insurance (First Tier)
- Industry Self-Insurance (Second Tier)
- 5 Percent Surcharge

Owners of nuclear power plants pay for \$450 million in private insurance. If a nuclear accident surpasses this amount, each plant pays up to \$121.255 million into a second tier insurance pool plus a 5 percent surcharge.

site; storing nuclear fuel or waste at a site; during operation of a reactor, including the discharge of radioactive effluent; and transporting irradiated nuclear fuel and nuclear waste from the reactor.

Insurance under Price-Anderson covers bodily injury, sickness, disease or resulting death, property damage and loss, including reasonable living expenses for individuals evacuated. The Energy Policy Act of 2005 extended the Price-Anderson Act to Dec. 31, 2025.

Price-Anderson in Action

During the accident at Three Mile Island Nuclear Power Plant in Middletown, Pa., in 1979, the Price-Anderson Act provided liability insurance to the public. Coverage was available to those in need by the time Pennsylvania's governor recommended the evacuation of pregnant women and families with young children who lived near the plant. At the time of the accident, private insurers had \$140 million of coverage available in the first tier pools. Insurance adjusters advanced money to evacuated families in order to cover their living expenses, requesting that unused funds be returned; recipients sent back several thousand dollars. The insurance pools also reimbursed more than 600 individuals and families for wages lost as a result of the accident.

The insurance pools were later used to settle a class-action suit for economic loss filed on behalf of residents who lived near Three Mile Island. The Price-Anderson Act covered court fees as well. The last of the litigation surrounding the accident was resolved in 2003. Altogether, the insurance pools paid approximately \$71 million in claims and litigation costs associated with the Three Mile Island accident.

Onsite Insurance Requirements

Although not required by the Price-Anderson Act, NRC regulationsⁱⁱ require licensees to maintain a minimum of \$1.06 billion in onsite property insurance at each reactor site. The NRC added this requirement after the Three Mile Island accident out of concern that licensees may be unable to cover onsite cleanup costs resulting from a nuclear accident. This insurance is required to cover the licensee's obligation to stabilize and decontaminate the reactor and site after an accident. Currently, only Nuclear Electric Insurance Limited provides this insurance for licensees.

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ⁱ NRC regulations do not distinguish between operating and shutdown reactors per se; this figure includes 99 operating reactors and three reactors (i.e., San Onofre Nuclear Generating Station (SONGS) Units 2 & 3 and Ft. Calhoun) that are in decommissioning but have not yet been approved to reduce their primary insurance amounts or withdrawal from the secondary insurance pool. Since 2014, Crystal River 3, Kewaunee, SONGS Units 2 & 3, Vermont Yankee, and Ft. Calhoun have applied for exemptions from NRC's insurance regulations. Exemptions from these requirements have been approved for Crystal River, Kewaunee, and Vermont Yankee.

ⁱⁱ 10 CFR 50.54(w)